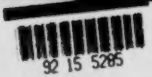


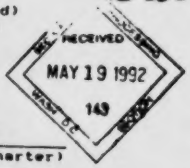
06887

0-35383

10/L7

K 92-2250

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549



Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ended March 31, 1992

Commission File Number 2-31080

NATIONAL INDUSTRIAL SECURITY CORPORATION
(Exact Name of Registrant As Specified In Its Charter)

DELAWARE	860214815
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2025 South Brentwood, St. Louis, Missouri 63144
(Address of Principal Executive Offices, Zip Code)

(314) 962-1414
(Telephone Number)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO _____

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date:

6,983,000 shares of Common Stock were issued and outstanding as of March 31, 1992

PROCESSED BY
MAY 21 1992
10/L7

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

BEST COPY
AVAILABLE

PART I

FINANCIAL INFORMATION
Item 1 - Financial Statements

NATIONAL INDUSTRIAL SECURITY CORPORATION
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	3/31/92 (unaudited)	12/31/91
CURRENT ASSETS		
Cash	$ 18,185	$ 38,973
Accounts Receivable:		
Trade; net of allowance for doubtful accounts of $1,446	294,272	292,746
Other; net of allowance for doubtful accounts of $0 at March 31, 1992	519	6,305
Inventories (Note A)	9,884	10,314
Prepaid Taxes and Other Expenses	30,350	11,035
TOTAL CURRENT ASSETS	353,210	359,373
PROPERTY & EQUIPMENT, at cost (Notes A & D)		
Furniture and Equipment	118,709	94,058
Leasehold Improvements	8,880	8,880
	127,589	102,938
Less Accumulated Depreciation and Amortization	(68,730)	(75,883)
NET FIXED ASSETS	58,859	27,055
DEFERRED CHARGES, net of accumulated amortization (Note A)	19,627	20,165
OTHER ASSETS	8,553	8,138
TOTAL ASSETS	$440,249	$414,731

The accompanying notes to financial statements are an integral part of these statements.

NATIONAL INDUSTRIAL SECURITY CORPORATION
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES

	3/31/92 (unaudited)	12/31/91
CURRENT LIABILITIES		
Notes Payable (Note B)	$ 146,133	$ 128,055
Current Portion of Long Term Debt	0	2,159
Current Portion of Capital Lease Obligation (Note D)	8,276	1,429
Accounts Payable and Accrued Expenses	21,743	20,437
Accrued Salaries and Related Taxes	99,486	128,013
Deferred Revenue	2,243	3,357
TOTAL CURRENT LIABILITES	277,881	283,450
LONG-TERM DEBT (Note B)	0	1,239
Long Term Capital Leases (Note D) (Automobiles)	28,585	0
STOCKHOLDERS' EQUITY		
Common Stock - authorized 12,000,000 shares; par value $.1667 per share; issued and outstanding 6,983,000 shares	1,163,830	1,163,830
Additional Paid in Capital	38,785	38,785
Deficit	(1,068,832)	(1,072,573)
TOTAL STOCKHOLDERS' EQUITY	133,783	130,042
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$440,249	$414,731

The accompanying notes to financial statements are an integral part of these statements.

NATIONAL INDUSTRIAL SECURITY CORPORATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 1992
(UNAUDITED)

	1992	1991
SERVICE REVENUES (Note E)	$698,365	$644,868
COST AND EXPENSES:		
Labor	552,115	499,710
General and Administrative	139,709	131,684
	691,824	631,394
PROFIT (LOSS) FROM OPERATIONS	6,541	13,474
OTHER INCOME (EXPENSE):		
Interest expense	(3,087)	(4,400)
Investment income	183	14
Miscellaneous income	103	(138)
NET PROFIT (LOSS)	$ 3,740	$ 8,950
NET PROFIT (LOSS) PER COMMON SHARE	$ .00	$.00

The accompanying notes to financial statements are an integral part of these statements.

NATIONAL INDUSTRIAL SECURITY CORPORATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31
(UNAUDITED)

	1992	1991
CHANGE IN CASH AND SHORT-TERM INVESTMENTS:		
Cash flows from operating activities:		
Net profit (loss)	$ 3,740	$ 9,064
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	2,845	11,354
Amortization	538	5,023
(Increase) decrease in accounts receivable	4,260	(50,441)
Decrease in inventory	430	11,188
Decrease (increase) in prepaid expense	(19,315)	13,028
Increase in due from officer	415	520
Increase (decrease) in accounts payable and accrued expenses	1,306	(32,108)
Increase (decrease) in accrued salaries and related taxes	(28,527)	20,436
(Decrease) Increase in deferred revenues	(1,114)	27
Net cash used in operating activities	(35,422)	(11,909)
CASH FLOWS FROM INVESTMENT ACTIVITIES:		
Additions to property and equipment	(4,015)	(12,213)
Proceeds from sale of property and equipment	5,328	0
Net cash provided by (used in) investment activities	1,313	(12,213)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long term Debt	(3,398)	(17,781)
Payments on capital lease obligations	(2,197)	(4,573)
Net borrowings on line-of-credit and notes payable	18,078	78,055
Net cash provided by financing activities	12,483	55,701
NET INCREASE (DECREASE) IN CASH	(20,788)	31,579
CASH, beginning of period	38,973	7,394
CASH, end of period	$ 18,185	$ 38,973

Supplemental Schedule of Non-cash Financing Activities:
A capital lease obligation of $37,630 was incurred when the Company entered into leases for two automobiles to replace expiring leases.

The accompanying notes to financial statements are an integral part of these statements.

NATIONAL INDUSTRIAL SECURITY CORPORATION
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
QUARTER ENDED MARCH 31, 1992

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of consolidation:

The consolidated financial statements include the accounts of the National Industrial Security Corporation ("the Company") and its wholly-owned subsidiaries, none of which operated in the four years ended December 31, 1991. All material intercompany balances have been eliminated.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (which include only normal recurring accruals) necessary to fairly present the financial position of the Company and its subsidiaries at March 31, 1992 and the results of the operations and changes in their financial position for the three and nine month periods ending March 31, 1992 and 1991.

Inventories:

Inventories consist of alarm systems held for resale and are stated at the lower of cost (first-in, first-out method) or market.

Depreciation and amortization:

Property and equipment is depreciated on straight-line and accelerated methods over the useful lives of the related assets. Leasehold improvements and equipment under capital leases are amortized over the asset life or the lease term, if shorter.

Deferred charges at March 31, 1992 consist principally of goodwill and patent costs which are being amortized over 5 to 20 years. Accumulated amortization of deferred charges was $10,466 at December 31, 1991 and $11,004 at March 31, 1992.

Depreciation and amortization totalled $3,383 for the period ending 3-31-92.

Loss per share:

Profit or loss per share computations are based on the weighted average number of common shares outstanding each year.

NATIONAL INDUSTRIAL SECURITY CORPORATION
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
QUARTER ENDED MARCH 31, 1992
(Continued)

NOTE B - NOTES PAYABLE:

Notes payable include the following:

	3/31/92	12/31/91
Note Payable, due in monthly installments of $200, including interest at 9.5%, through August 1993, collateralized by an automobile replaced by capital leases in Feb. 1992 (Note D).	$ 0	$ 3,398
	0	3,398

NOTE C - INCOME TAXES

At December 31, 1991 the Company had net operating loss carryforwards aggregating $655,000 expiring primarily in 1999 through 2002 and new jobs tax credit carryforwards of approximately $163,000 expiring principally in 1992 and 1993.

NOTE D - COMMITMENTS AND CONTINGENCIES:

Leases:

The Company leases its office space and other office equipment under an operating lease. In addition, the Company has two automobile capital leases. Future minimum lease commitments under all non-cancellable leases in effect at March 31, 1992 are as follows:

	Operating Leases	Capital Lease
1992	$ 28,674	8,513
1993	39,394	11,350
1994	21,653	11,350
1995	---	11,350
Total payments	89,721	42,564
Less amount representing interest		5,703
	89,721	36,861

Rent expense was $8,690 for the quarter ending 3/31/92.

NOTE E - SIGNIFICANT CUSTOMERS:

Revenues with 2 major customers accounted for approximately 20% of total service revenues at 3/31/92. Accounts receivable from these two customers represent approximately 25% of total trade accounts receivable at March 31, 1992

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company is a Missouri-based corporation providing security guard and related security services to commercial, industrial, governmental, health care and other institutional clients. The Company also provides monitored alarm system services and computer data base searches. The Company primarily operates in the St. Louis, Missouri metropolitan area, and presently employs approximately 280 security guards and an office staff of 10 all in St. Louis, Missouri. The Company is not currently marketing its proprietary wireless alarm systems, but continues to provide 24 hour central station monitoring to approximately 125 accounts.

RESULTS OF OPERATIONS

Revenues for the three months ending March 31, 1992, increased $53,497 (8%) compared with the same period in 1991. The increase in revenues is due to the addition of new clients.

The Company experienced an operating profit of $6,541 during the three months ending March 31, 1992 compared with an operating profit of $13,474 during the same period last year.

Net profit for the three months ended March 31, 1992 was $3,740 compared with a net profit of $8,950 during the same period last year. For the three months ended March 31, 1992, the Company had a net decrease of $20,788 in its cash position compared with a $17,707 increase in cash during the same period last year. (See Consolidated Statement of Cash Flows).

The Company has $163,000 in new jobs tax credits and $655,000 in net operating loss carry forwards available to reduce future federal income taxes. See Note C to the Company's Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

During the quarter ended March 31, 1992, the Company produced a positive cash flow from operations and utilized these funds to reduce outstanding debt of the Company. (See Note B)

The Company anticipates using positive cash flow from operations to further reduce bank borrowing. The Company's cash position at March 31, 1992 was $18,185: the cash position varies day-to-day depending on collections and the timing of payroll obligations.

Though not significant in number, the Company has achieved some sales of its proprietary alarm systems. Marketing for the system has been discontinued at present.

The Company has recently added software to its computer capability to access a network of computer data banks to provide personnel and investigative searches and services. Marketing plans in the St. Louis area are being developed.

In its efforts to expand, management of the Company may consider merger and acquisition candidates which may or may not be related to its current operations. No negotiations relating to any possible acquisitions or mergers have been initiated or selected, although initial screening of several potential candidates was conducted.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NATIONAL INDUSTRIAL SECURITY CORPORATION

Date: May 14, 1992

By:

Max T. Jackson, President, Treasurer and Chairman of the Board of Directors (Principal Executive, Financial and Accounting Officer)